Northern California National Bank

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April 10, 2006

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

RE: Commercial Real Estate Loan Concentrations Guidance

Dear Jennifer:

The California Bankers Association appreciates this opportunity to submit this letter in connection with the federal banking agencies' proposed Guidance on Concentrations in Commercial Real Estate ("Guidance"). The CBA is a non-profit corporation established in 1891 and represents most of the depository financial institutions in the State of California. Its membership includes depository institutions of all sizes, from *de novo* banks to banks with national scope.

A concentration in itself is only one indicator of risk, and to establish thresholds that fail to incorporate other indicators is to cast too brad a net. The inevitable result will be too many banks being deemed to have a risky CRE portfolio. I suggest that the Agencies apply existing guidance on a case-by-case basis to address any problems in those banks that are in fact engaging in CRE lending in an unsafe manner.

The new extensive monitoring requirements, combined with increases in capital and reserves, will place significant burdens mostly on community banks. The Guidance in its current form may limit the availability of commercial loans and thus adversely affect local economies. For the reasons I have stated, I recommend that the Guidance is not issued in its current form.

Thank you very much for your attention to this letter.

Regards,

John

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President & CEO

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